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**WASATCH MENTAL HEALTH SERVICES
SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF UTAH COUNTY**

June 30, 2008 and 2007

Financial Statements

(With Auditors' Report)

**LITZ &
COMPANY** *Certified Public Accountants
A Professional Corporation*

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WASATCH MENTAL HEALTH SERVICES SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF UTAH COUNTY
Financial Statements
Year Ended June 30, 2008

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**INDEPENDENT AUDITORS' REPORT**

**To the Board of Directors
Wasatch Mental Health Services Special Service District,**

We have audited the accompanying statement of financial position of Wasatch Mental Health Services Special Service District as of June 30, 2008 and 2007, and the related statements of revenues, expenses and change in net assets, and cash flows for the years then ended. These financial statements are the responsibility of Wasatch Mental Health Services Special Service District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wasatch Mental Health Services Special Service District as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2008, on our consideration of Wasatch Mental Health Services Special Service District's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wasatch Mental Health Services Special Service District's basic financial statements. The Supplementary Information and the accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of Wasatch Mental Health Services District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in dark ink, appearing to read "LITZ & COMPANY, P.C.", is written over a horizontal line.

December 9, 2008

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Wasatch Mental Health

Juergen Korhanka, Ph.D.
Executive Director

Management's Discussion and Analysis

As management of Wasatch Mental Health Special Services District (the Center), we offer readers of the Center's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the independent Auditor's report.

History and Background of District

Wasatch Mental Health Services is a separate Special Service District of Utah County formed July 1, 2003. It provides mental health services to the residents of Utah County, and is a component unit of Utah County for financial reporting purposes.

Prior to July 1, 2003 the center was a separate, legal, political entity formed under an inter-local cooperation agreement between Utah and Wasatch Counties to provide mental health services to the residents of the two counties.

Today the center has approximately 315 part and full-time employees who provide critically needed mental health services to nearly 6,100 Utah County residents.

Financial Highlights

- The assets of the Center exceeded its liabilities at the close of the most recent fiscal year by \$11,198,265 (*total net assets*). Of this amount, \$6,204,932 may be used to meet the Center's ongoing obligations.
- The Center's total net assets increased by \$354,406.
- At the end of the current fiscal year, the unrestricted net assets balance was \$6,204,932 or 55 percent of total fund balance.
- The Center's total liabilities increased by \$1,524,139 (27%) during the current fiscal year. The significant changes included: 1) \$127,768 increase in accrued hospital contracts payable 2) \$1,219,108 increase in Medicaid match payable, 3) an increase of \$172,416 in wages & benefits payable.
- Fiscal year 2008 revenues increased by \$2,033,602 or 10.4% while expenses increased by \$521,053 or 2.5%. The elements that contributed to the increased revenues FY2008 included an increases of approximately \$1.4mm in Prepaid Mental Health Premium rates to compensate for lower numbers of Medicaid enrollees that occurred in FY2007. Prior to FY2007, the number of Medicaid enrollees in our catchment area had steadily increased. In FY2007 the number of Medicaid enrollees decreased by approximately 5.6% and by 1.3% in FY2008. In the later

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part of FY2008, the trend began to change from declining to increasing numbers of Medicaid enrollees. There was also an increase in revenue from State & County treatment contracts, some aimed at providing treatment for unfunded and/or underfunded individuals not covered by Medicaid.

- Total expenses increased by \$521k or 2.5%. Of the total increase, \$428k was related to increased personnel costs, which included a cost of living adjustment for employees. Other operating costs increased by approximately \$66k and depreciation increased by \$32k.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Center's basic financial statements. The basic financial statements comprise two components:

1) financial statements and 2) notes to the financial statements. Wasatch Mental Health is a special-purpose government engaged only in business-type activities, so only the fund financial statements are presented as the basic financial statements. The report also includes other supplementary information in addition to the basic financial statements.

Financial statements. The financial statements are designed to provide readers with a broad overview of the Center's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the Center's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Center is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Assets* presents information showing how the Center's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenues and earned but unused vacation leave).

The *Statement of Cash Flows* presents information showing how the cash and cash equivalents of the Center changed during the most recent fiscal year because of cash flows.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes are part of the basic financial statements.

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Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the Center's functional expenses and schedule of federal awards.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Center, assets exceeded liabilities by \$11,198,265 at the close of the fiscal year.

By far the largest portion of the Center's net assets (50%) reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment). There is no outstanding debt related to any of these capital assets.

Wasatch Mental Health Net Assets

	2008	2007
Current and other assets	\$12,824,384	\$10,462,041
Capital assets (net of accumulated depreciation)	4,993,333	5,464,648
Other assets	462,701	475,184
Total assets	18,280,418	16,401,873
Current liabilities	6,029,500	4,578,967
Long-term liabilities	1,052,653	979,047
Total liabilities	7,082,153	5,558,014
Net assets:		
Invested in capital assets, net of related debt	4,993,333	5,464,648
Unrestricted	6,204,932	5,379,211
Total net assets	\$11,198,265	\$10,843,859

The balance of *unrestricted net assets* \$6,204,932 may be used to meet the Center's ongoing operations or obligations to creditors.

At the end of the current year, the Center is able to report positive balances in all categories of net assets. The same situation held true for the prior year.

The Center's net assets increased by \$354,406 during the current fiscal year.

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Business-type Activities. Key elements of the growth of net assets are as follows:

Wasatch Mental Health's Changes in Net Assets

	2008	2007
Revenues:		
Grants	\$6,145,172	\$5,185,769
Medicaid	10,611,330	9,187,784
Medicaid fee for service	562,429	815,670
Treatment contracts	2,839,910	2,741,378
Collections	475,644	553,823
Other revenue	865,598	982,058
Total revenue	21,500,084	19,466,482
Expenses:		
Personnel	16,638,935	16,211,261
Travel	54,390	60,108
Program operating expenses	3,932,277	3,865,835
Depreciation	520,077	487,421
Total expenses	21,145,678	20,624,625
Change in net assets	354,406	-1,158,143
Net assets -- Beginning	10,843,859	12,002,002
Net assets -- Ending	11,198,265	10,843,859

- Charges for services for business-type activities increased by approximately \$2.15mm or 11.6 percent. The net increase is attributable to several factors. 1) An increase of approximately \$959k in grants from State and County sources, aimed at providing treatment for unfunded clients and 2) Increased Medicaid revenue and other treatment contracts of \$1.42mm from increased rates over the prior year.
- Investment earnings decreased by approximately \$114k, because of lower interest rates & smaller invested balances during FY 2008.
- Expenses increased slightly during FY2008. Total expenses increased by \$521,053 or 2.5 per cent. Personnel costs increased \$428k which included a cost of living adjustment for employees. Other operating costs increased by approximately \$66k and depreciation increased by \$32k.

Capital Asset and Debt Administration

Capital Assets. The Center's investment in capital assets for its governmental and business-type activities as of June 30, 2008 amounts to \$4,993,333 (net of accumulated depreciation). This investment in capital assets includes land, buildings, furniture &

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equipment and vehicles. The total decrease in the Center's investment in capital assets for the current fiscal year was \$471,315 or 8.6 percent. This was primarily due to depreciation expense being similar from year to year and a smaller investment in new capital assets.

Major capital asset events during the current fiscal year included scheduled replacement of certain fleet vehicles and other equipment used in the Center's operations.

Wasatch Mental Health's Capital Assets
(net of depreciation)

	2008	2007
Land & buildings	\$7,111,701	\$7,098,472
Building improvements	1,650,148	1,650,148
Furniture and Equipment	1,176,456	1,282,521
Vehicles	286,190	250,657
Less: accumulated depreciation	(5,231,161)	(4,817,150)
Total	4,993,333	5,464,648

Long-term debt. The Center has no debt financing of capital assets. During the year, an additional accrual of \$82,074 was made for post-retirement benefits. Of this amount, \$73,606 is considered long-term.

Requests for Information

This financial report is designed to provide interested parties with a general overview of the Center's financial status. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Wasatch Mental Health, ATTN: Todd W. Phillips, 750 North 200 West, Provo, UT 84601.

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WASATCH MENTAL HEALTH SERVICES SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF UTAH COUNTY
Statement of Net Assets
June 30, 2008 and 2007

	<u>Primary Government</u>		<u>Component Unit</u>
	<u>2008</u>	<u>2007</u>	
Assets			
Current Assets			
Cash and cash equivalents	\$ 4,689,878	\$ 5,692,305	\$ 95,536
Restricted cash and cash equivalents held by trustee	208,751	224,248	-
Investments	4,089,571	1,694,372	-
Accounts receivable, net	3,591,598	2,792,728	-
Other current assets	244,586	58,388	-
Total current assets	<u>12,824,384</u>	<u>10,462,041</u>	<u>95,536</u>
Noncurrent Assets			
Note receivable	443,910	455,730	-
Other assets	18,791	19,454	-
Capital assets			
Land	301,130	301,130	-
Construction in process	26,173	12,944	-
Buildings and improvements	8,434,546	8,434,546	-
Furniture & equipment	1,176,455	1,282,521	-
Vehicles	286,190	250,657	-
Less accumulated depreciation	<u>(5,231,161)</u>	<u>(4,817,150)</u>	<u>-</u>
Net capital assets	<u>4,993,333</u>	<u>5,464,648</u>	<u>-</u>
Total noncurrent assets	<u>5,456,034</u>	<u>5,939,832</u>	<u>-</u>
Total assets	<u>\$ 18,280,418</u>	<u>\$ 16,401,873</u>	<u>\$ 95,536</u>

The notes to the financial statements are an integral part of this statement.

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WASATCH MENTAL HEALTH SERVICES SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF UTAH COUNTY
Statement of Net Assets
June 30, 2008 and 2007

	<u>Primary Government</u>		<u>Component</u>
	<u>2008</u>	<u>2007</u>	<u>Unit</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	\$ 269,034	\$ 293,578	\$ -
Accrued liabilities	4,601,509	3,188,709	-
Accrued post employment benefits, current portion	78,591	70,123	-
Compensated absences	814,645	822,369	-
Deferred revenue	80,000	-	-
Patient funds	185,721	204,188	-
Total current liabilities	6,029,500	4,578,967	-
Noncurrent Liabilities			
Accrued post-employment benefits, less current portion	1,052,653	979,047	-
Total noncurrent liabilities	1,052,653	979,047	-
Total liabilities	7,082,153	5,558,014	-
Net Assets			
Restricted - Invested in capital assets, net of related debt	4,993,333	5,464,648	-
Restricted		-	50,111
Unrestricted	6,204,932	5,379,211	45,425
Total net assets	11,198,265	10,843,859	95,536
Total liabilities and net assets	<u>\$ 18,280,418</u>	<u>\$ 16,401,873</u>	<u>\$ 95,536</u>

The notes to the financial statements are an integral part of this statement.

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WASATCH MENTAL HEALTH SERVICES SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF UTAH COUNTY
Statement of Revenues, Expenses, and Changes in Net Assets
June 30, 2008 and 2007

	<u>Primary Government</u>		<u>Component Unit</u>
	<u>2008</u>	<u>2007</u>	
Operating Revenues			
Service grants	\$ 6,145,172	\$ 5,185,769	\$ -
Contracts	14,013,670	12,744,832	-
Collections	475,644	553,823	-
Other	213,761	83,887	43,095
Total operating revenues:	20,848,247	18,568,311	43,095
Operating Expenses			
Personnel salaries and benefits	16,638,935	16,211,261	-
Travel	54,390	60,108	-
Office	98,282	100,105	-
Occupancy	661,882	624,455	-
Professional services	1,712,933	1,608,901	-
Staff support	214,030	279,328	-
Professional supplies	25,109	14,160	-
Patient expense	494,541	717,387	-
Data processing	312,116	141,254	-
Vehicle expense	193,720	212,517	-
Depreciation	520,077	487,421	-
Other	219,663	167,728	5,309
Total operating expenses:	21,145,678	20,624,625	5,309
Operating income (loss)	(297,431)	(2,056,314)	37,786
Non-Operating Revenues (Expenses)			
Donations	10,000	25,000	-
Rental income	231,550	247,325	-
Interest income	410,287	524,176	2,634
Gain/(Loss) on sale of assets	-	101,670	-
Total non-operating income (Expense)	651,837	898,171	2,634
Change in Net Assets	354,406	(1,158,143)	40,420
Total Net Assets - beginning	10,843,859	12,002,002	55,116
Total Net Assets - ending	\$ 11,198,265	\$ 10,843,859	\$ 95,536

The notes to the financial statements are an integral part of this statement.

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WASATCH MENTAL HEALTH SERVICES SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF UTAH COUNTY
Statement of Cash Flows
June 30, 2008 and 2007

	<u>Primary Government</u>		
	<u>2008</u>	<u>2007</u>	<u>Component Unit</u>
Cash flows from operating activities			
Receipt from patients and funding sources	\$ 19,960,968	\$ 20,938,928	\$ -
Other receipts	213,761	83,887	45,670
Payments to suppliers	(922,191)	(999,232)	-
Payments to employees	(15,151,858)	(18,751,662)	-
Payment for contracted services	(2,374,815)	(2,233,356)	-
Payment for patient costs	(494,541)	(717,387)	-
Other payments	(218,927)	(167,728)	(5,309)
Net cash provided (used) by operating activities	<u>1,012,397</u>	<u>(1,846,550)</u>	<u>40,361</u>
Cash flows from noncapital financing activities			
Donations	10,000	25,000	-
Change in patient funds	(18,467)	49,288	-
Net cash provided (used) by noncapital financing activities:	<u>(8,467)</u>	<u>74,288</u>	<u>-</u>
Cash flows from capital and related financing activities			
Purchase of assets	(48,762)	(313,278)	-
Proceeds from sale of assets	-	266,800	-
Net cash provided (used) by capital and related activities	<u>(48,762)</u>	<u>(46,478)</u>	<u>-</u>
Cash flows from investing activities			
Interest and dividends received	410,287	524,176	2,634
Payments on note receivable	11,820	11,246	-
Purchase of investments	(2,395,199)	(11,420)	-
Net cash provided (used) by investing activities	<u>(1,973,092)</u>	<u>524,002</u>	<u>2,634</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,017,924)</u>	<u>(1,294,738)</u>	<u>42,995</u>
Cash and cash equivalents - beginning	<u>5,916,553</u>	<u>7,211,291</u>	<u>52,541</u>
Cash and cash equivalents - end	<u>\$ 4,898,629</u>	<u>\$ 5,916,553</u>	<u>\$ 95,536</u>

The notes to the financial statements are an integral part of this statement

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WASATCH MENTAL HEALTH SERVICES SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF UTAH COUNTY
Statement of Cash Flows - (continued)
June 30, 2008 and 2007

	<u>Primary Government</u>		<u>Component Unit</u>
	<u>2008</u>	<u>2007</u>	
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	(297,431)	(2,056,314)	37,786
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization expense	520,007	487,421	-
Changes in the following:			
Accounts receivable	(798,870)	(838,744)	2,575
Other current assets	(185,461)	3,045,923	-
Accounts payable	(24,544)	(145,586)	-
Accrued liabilities	1,412,800	(2,633,268)	-
Accrued post employment benefits	82,070	16,975	-
Compensated absences	(7,724)	75,892	-
Deferred revenue	80,000	-	-
Prepays	-	(46,174)	-
Proceeds from rentals	231,550	247,325	-
Total adjustments	<u>1,309,828</u>	<u>209,764</u>	<u>2,575</u>
Net cash provided (used) by operating activities	<u><u>1,012,397</u></u>	<u><u>(1,846,550)</u></u>	<u><u>40,361</u></u>

The notes to the financial statements are an integral part of this statement.

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WASATCH MENTAL HEALTH SERVICES SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF UTAH COUNTY

Notes to Financial Statements

June 30, 2008 and 2007

Note 1 – Summary of Significant Accounting Policies

The financial statements and notes are representations of Wasatch Mental Health Services Special Service District's management, which is responsible for their integrity and objectivity. They have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). This summary of significant accounting policies of the Center is presented to assist in understanding the financial statements.

Wasatch Mental Health Services Special Services District (the Center) is a separate Special Service District of Utah County and under the direction of the County Commissioners. The Center began operating as a Special Service District on July 1, 2003. It provides mental health services to the residents of Utah County, and is a component unit of Utah County for financial reporting purposes.

The Center accounts for its transactions in an enterprise fund. Enterprise funds focus on measurement of the flow of economic resources. With this measurement focus, all assets and liabilities associated with the operation of this fund, both current and noncurrent, are included on the statement of net assets. The accrual basis of accounting is utilized by enterprise funds. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

Enterprise funds follow all Governmental Accounting Standards Board (GASB) pronouncements. In addition all Financial Accounting Standards Board (FASB) and Accounting Principles Board (APB) opinions pronouncements issued on or before November 30, 1989 are followed unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Center are government service contracts and grants, and charges to patients for treatment services. Operating expenses for the Center include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Revenues from governmental grants and contracts are recognized when qualifying expenses are incurred, or when qualifying services are rendered.

An allowance for uncollectible billings and contractual adjustments is provided to adjust the patient receivables to the estimated net realizable amount, based on collection experience of mental health

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WASATCH MENTAL HEALTH SERVICES SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF UTAH COUNTY
Notes to Financial Statements
June 30, 2008 and 2007

Note 1 – Summary of Significant Accounting Policies (continued)

providers in Utah. Uncollectible billing estimates were \$245,000 and \$173,459 for 2008 and 2007 respectively.

The Center has a policy of providing charity care to patients who are unable to pay. Such patients are identified based on financial information obtained from the patient and subsequent analysis. Since the Center does not expect payment, estimated charges for charity care are not included in revenue. Charity care costs are costs incurred by the Center in the providing of mental health services for individuals or groups which are considered unfunded. It is estimated that the Center incurred charity care costs of approximately \$179,625 and \$409,000 for the fiscal years ended June 30, 2008 and June 30, 2007, respectively.

An annual operating budget is adopted for the Enterprise Fund. All annual appropriations lapse at fiscal year end if not expended.

All property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated property is valued at estimated fair value on the date donated. Capital assets are defined by the Center as assets with an initial, individual cost of more than \$5,000 beginning in 2006 and more than \$3,000 prior to 2006. Depreciation is provided using the straight-line method as per the American Hospital Association guidelines, over the following estimated useful lives:

Building & Improvements	25-30 Years
Furniture & Equipment	5-20 Years
Vehicles	4 Years
Computer & Computer Equipment	3 Years

Revenues received prior to the year in which they are to be expended are shown as deferred revenue in the liability section of the combined balance sheet.

Center employees earn vacation on a biweekly basis in varying amounts as determined by the employee's years of service. Amounts of vacation earned and not paid as of June 30, 2008 and 2007 have been accrued as a liability.

The Center has accrued \$814,644 and \$822,369 for compensated absences as of June 30, 2008 and 2007 respectively. Compensated absences consist of vacation, sick, catastrophic, and holiday accruals.

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WASATCH MENTAL HEALTH SERVICES SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF UTAH COUNTY
Notes to Financial Statements
June 30, 2008 and 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. The amounts reclassified are not material to the financial statements.

Note 2 – Deposits and Investments with Financial Institutions

Deposits and investments for the Center are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, “the Act”) and by rules of the Utah Money Management Council (“the Council”). Following are discussions of the Center’s exposure to various risks related to its cash management activities.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Center’s deposits may not be recovered. The Center’s policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of Center funds to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

At June 30, 2008 and 2007 respectively, the carrying amount of the Center’s deposits was \$728,972 and \$608,497 and the bank balance was \$3,419,738 and \$881,974. Of this amount, \$465,188 and \$228,326 is covered by federal depository insurance; the remaining \$2,954,550 and \$653,648 was uncollateralized and uninsured. Deposits are not required by state statute to be collateralized.

Credit Risk

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The Center’s policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include: deposits of qualified depositories; repurchase agreements; commercial paper that is classified as “first-tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investor Services or Standard & Poors; bankers acceptances; obligations of the US Treasury and US government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated “A” or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

The Center is also authorized to invest in the Utah Public Treasurer’s Investment Fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise

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WASATCH MENTAL HEALTH SERVICES SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF UTAH COUNTY
Notes to Financial Statements
June 30, 2008 and 2007

Credit Risk (continued)

guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

Following are the Center's investments, cost value, at June 30, 2008 and 2007.

Investment Type	<u>2008</u>	<u>2007</u>	Maturity	Quality
PTIF Investments	\$4,169,658	\$5,308,056	59 days	not rated
Bonds ⁺	<u>\$2,545,431</u>	<u>\$1,692,797</u>	55 days	
TOTAL	<u>\$6,715,089</u>	<u>\$7,000,853</u>		

* Weighted-average maturity

+ Significant decline in valuation subsequent to year end. See Note 17 – Subsequent Events.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Center manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Maturities of the Center's investments are noted in the previous table.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Center's policy to limit this risk is to adhere to the rules of the Money Management Council and to invest most of its available funds in the PTIF.

Note 3 – Restricted Cash

Cash held for clients is restricted to payments made to or on behalf of clients.

Note 4 – Changes in Capital Assets

The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

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WASATCH MENTAL HEALTH SERVICES SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF UTAH COUNTY
Notes to Financial Statements
June 30, 2008 and 2007

Note 4 – Changes in Capital Assets (continued)

A summary of changes in property and equipment is as follows:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Capital assets, not being depreciated:				
Land	301,130	-	-	301,130
Construction in process	12,944	13,229	-	26,173
Total	314,074	13,229	-	327,303
Capital assets, being depreciated:				
Buildings and improvements	8,434,546	-	-	8,434,546
Furniture & equipment	1,282,521	-	(106,066)	1,176,455
Vehicles	250,657	35,533	-	286,190
Total	9,967,724	35,533	(106,066)	9,897,191
Less accumulated depreciation for:				
Buildings and improvements	(3,833,153)	(362,382)	-	(4,195,535)
Furniture & equipment	(847,574)	(129,758)	106,065	(871,267)
Vehicles	(136,423)	(27,936)	-	(164,359)
Total	(4,817,150)	(487,421)	106,065	(5,231,161)
Net depreciable assets	5,150,574	(326,367)	(158,177)	4,666,030
Capital assets, net	5,464,648	(313,138)	(158,177)	4,993,333

Note 5 – Economic Dependence

The Center receives the majority of its funding from federal, state and local government sources and is economically dependent on the continuation of these sources.

Note 6 – Retirement Plans

The Center participates in the Utah Retirement Systems (URS) which is a cost-sharing, multiple-employer defined benefit pension plan covering substantially all eligible employees of the State of

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WASATCH MENTAL HEALTH SERVICES SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF UTAH COUNTY

Notes to Financial Statements

June 30, 2008 and 2007

Note 6 – Retirement Plans (continued)

Utah and employees of other participating local government units. The URS administers the following separate retirement systems in which the Center participates: the Local Government Contributory Retirement System and the Local Government Noncontributory Retirement System. Under the contributory system, the Center pays the employer and employee portions of the required plan contributions, totaling 13.58% of eligible employees' earnings. Under the noncontributory system the Center contributes 11.59% of eligible employees' earnings. The Center also contributes 3.64% of eligible employees' earnings for those participants in the noncontributory plan to a 401K plan as described in the last paragraph of this footnote.

The Center's total payroll for 2007-08 and 2006-07 was \$11,581,338 and \$11,433,838, respectively, of which \$10,156,842 and \$9,942,378, respectively, was covered by the Utah Retirement System. Contributions for the 2007-08 and 2006-07 of \$1,174,045 and \$1,146,607, respectively, represent 11.62% and 11.59%, respectively, of total participating employees' salaries and wages. The contribution rate is designed to fund current pension costs as they accrue and to amortize past-service costs over a 40-year period. Contributions to the System were remitted on a timely basis.

The URS provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes. The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the various systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

A brief summary of eligibility and benefits is as follows:

	CONTRIBUTORY SYSTEM	NONCONTRIBUTORY SYSTEM
<u>Highest Average Salary</u>	<u>Highest 5 Years</u>	<u>Highest 3 Years</u>
Years of service required and/or	30 years any age	30 years any age
age eligible for benefit	20 years age 60	25 years any age
	10 years age 62	20 years age 60
	4 years age 65	10 years age 62
		4 years age 65

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A COMPONENT UNIT OF UTAH COUNTY
Notes to Financial Statements
June 30, 2008 and 2007

Note 6 – Retirement Plans (continued)

Benefit percent per	1.25% per year to June 1975	2.00% per year, all years
year of service	2.00% per year from July 1975 to present	

The Center contributions to the Local Governmental Contributory Retirement System for the years ending June 30, 2008, 2007, and 2006 were \$7,240, \$6,699, and \$5,807, respectively. For the Noncontributory Retirement System the contributions for June 30, 2008, 2007, and 2006 were \$1,174,045, \$1,146,605, and \$984,950, respectively. The contributions were equal to the required contributions for each year.

Ten-year historical trend information showing URS progress in accumulating sufficient assets to pay benefits when due is presented in the URS December 31, 2006 component unit financial report.

The Center also participates in a defined contribution retirement plan. This plan is administered by URS and approved by the Center's governing board. The plan meets the requirements of a qualified plan under Section 401k of the Internal Revenue Code. Under the plan the Center contributes 3.64% of eligible employees' earnings for those participating in the IRS noncontributory plan described above. Employees are 100% vested in all contributions to the plan. The Center's expenditure for this plan for 2007-08 and 2006-07 fiscal years was \$345,161 and \$355,953, respectively.

Note 7 – Deferred Compensation Plan

Wasatch Mental Health Services Special Service District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all eligible employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of the participants or their beneficiaries by Utah Retirement Systems.

Note 8 – Contingencies

The Center is pursuing various legal and informal actions in attempts to recover additional monies from previous employees involved in wrongful conduct. No receivables have been recorded relating to these actions. All subsequent recoveries of restitution will remain property of the Center.

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WASATCH MENTAL HEALTH SERVICES SPECIAL SERVICE DISTRICT
 A COMPONENT UNIT OF UTAH COUNTY
Notes to Financial Statements
 June 30, 2008 and 2007

Note 9 – Commitments**Operating leases**

The Center has a lease with the Utah State Motor Pool for the use of motor vehicles at a designated monthly rate for each vehicle plus an additional charge for mileage. For the fiscal years 2008 and 2007, the Center has recorded \$93,026 and \$107,378 in lease expense under this lease.

The Center entered into a lease on February 15, 2007 for office space in American Fork, UT. The monthly payment is \$1,391, and the lease expired June 30, 2008.

The Center entered into a lease on March 20, 2007 for a temporary facility for The Clubhouse. The monthly lease payment is \$7,378 and the lease expired March 31, 2008.

Note 10 – Notes Receivable-Provo City Housing Authority

During the 1999-2000 fiscal year, the Center entered into an agreement with Provo City Housing Authority (PCHA) whereby the Center acted as developer for the construction of a 24-unit apartment complex to be used for low-income housing for mentally ill persons. At the completion of construction, the complex was sold to Maple View Apartments II, LLC, in exchange for the notes receivable, described below. PCHA is the managing member of the LLC, which obtained federal low-income housing tax credits through a commercial bank for the majority of the cost of the project. The bank is a non-managing member of the LLC. The long-term portion is to be paid out of the LLC's operating revenues, based on a 30-year amortization schedule. The Center has the option, at the end of 15 years, to purchase the complex for the amount of the outstanding debt.

The note receivable as of June 30, 2008 is as follows:

5% note receivable from Provo City Housing Authority.	\$ 443,910
Payments are due monthly through July 2015, including interest.	(11,821)
Amount receivable within one year	<u>\$ 455,731</u>
Long-term portion	

Note 11 – Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Center considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

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WASATCH MENTAL HEALTH SERVICES SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF UTAH COUNTY
Notes to Financial Statements
June 30, 2008 and 2007

Note 12 – Medicaid Contract Commitment

The State Medicaid contract requires that the Center establish and maintain a reserve balance to cover the costs of all services provided. The amount of the reserve must be equal to or greater than the expected average expenses for all services for a 60-day period. The reserve balance is to be supported by current assets minus current liabilities. The Center determined that this amount was \$3,392,280 and \$3,310,225 for June 30, 2008 and 2007, respectively. The Center had adequate working capital as of that date to meet the requirement.

Note 13 – Relationship with Utah County

Wasatch Mental Health is a separate Special Service District of Utah County formed on July 1, 2003. The Center provides mental health services to the residents of Utah County. Due to the significance of the operational relationship the Center has with Utah County, the Center is considered a component unit of the County and its operations are included with those of the County in the County's financial reports.

The County is statutorily designated as the Local Mental Health Authority in Utah County and has chosen to utilize the Center to fulfill this obligation. The three elected Utah County commissioners serve as the authority board. The authority board directs the Center in the actual delivery of services.

Note 14 – Post-Retirement Benefits Other Than Pensions

During fiscal year 1997, Wasatch Mental Health adopted and implemented a post-retirement benefit plan. This benefit is available to all Center employees that retire from Wasatch Mental Health and are eligible to receive retirement benefits under the Utah State Retirement System. The purpose of this benefit is to provide medical and dental insurance coverage to employees that retire before age 65 and their spouses until each reaches Medicare eligibility at age 65. The Center pays 75% of the medical premium and 50% of the dental premium, and the employee pays their respective portion.

The Center adopted GASB 45 (see Note 16), which requires that post-employment benefits other than pensions be accounted for in a similar manner to that of pensions. The Center is now expected to forecast the amount of future liability associated with this benefit and record the liability and associated expense as the employees earn it, not on a pay as you go basis.

To forecast the liability the Center did not obtain an actuarial determination of future plan obligations. Instead, the Center used the alternative approach for small plans as outlined by GASB 45. The assumptions included in the determination of the obligation are employee turnover rates, current health insurance costs, years of service, catastrophic and converted sick leave, and employee age.

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WASATCH MENTAL HEALTH SERVICES SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF UTAH COUNTY
Notes to Financial Statements
June 30, 2008 and 2007

Note 14 – Post-Retirement Benefits Other Than Pensions (continued)

The cost for this plan for the fiscal years ended June 30, 2008 and 2007 was \$38,684 and \$34,949, respectively. Currently, the plan is being funded on a pay-as-you-go basis. The cost will be captured in each year's budget based on prior-year experience.

Ending	Contribution	Contributed	Obligation
06/30/08	\$ 82,075	100.00%	\$ 1,131,244
06/30/07	\$ 16,976	100.00%	\$ 1,049,170

Note 15 – Risk Management

The Center is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors or omissions; injuries to employees and the public; damage to the property of others and malpractice. The Center has obtained commercial insurance against the following types of risk:

- General liability
- Real and personal property damage
- Public employee bond
- Workers compensation
- Vehicle liability

Note 16 – Discrete Component Unit

During fiscal year 2006 the Center formed the Friends of Wasatch Mental Health Foundation (Foundation), a non-profit corporation under section 501(c)(3) of the Internal Revenue code. The purpose of the Foundation is to seek funding for the programs of the Center, and all funds obtained will be used for the benefit of the Center.

The Foundation is a separate legal entity with its own governing board. The board is made up of four individuals. One of the board members must be an employee of the Center and is appointed by the Center's executive director. All other board members will be chosen by the Foundation's governing board.

Because of the significance of the relationship between the Center and the Foundation, the Foundation is presented as a discrete component unit within the Center's financial statements.

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WASATCH MENTAL HEALTH SERVICES SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF UTAH COUNTY
Notes to Financial Statements
June 30, 2008 and 2007

Note 17 – Subsequent Events

During October 2008, the Center entered into an agreement to purchase property located in Payson, Utah, for a satellite office. The purchase price was \$525,000.

Due to changes in the market value the valuation of the Centers investments has significantly declined by \$633,000 since year-end.

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SUPPLEMENTARY INFORMATION

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WASATCH MENTAL HEALTH SERVICES SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF UTAH COUNTY

**Supplementary Statement of Revenues, Expenses and
Changes in Net Assets - Budget to Actual
June 30, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Grants	\$ 6,053,707	\$ 6,148,866	\$ 6,145,172	\$ (3,694)
Treatment contracts	12,759,634	12,904,113	12,952,696	48,583
Residential contracts	797,500	866,500	1,060,974	194,474
Collections	460,000	460,000	475,644	15,644
Other revenue	679,900	782,900	865,598	82,698
Total revenues	20,750,741	21,162,379	21,500,084	337,705
Expenses:				
Personnel	16,260,943	16,292,784	16,638,935	(346,151)
Travel	60,200	66,200	54,390	11,810
Office expense	129,450	124,050	98,282	25,768
Occupancy expense	656,382	685,319	661,882	23,437
Professional services	1,469,800	1,649,800	1,712,933	(63,133)
Staff support	254,650	275,450	214,030	61,420
Professional supplies	14,550	16,050	25,109	(9,059)
Patient expense	601,425	595,588	494,541	101,047
Data processing	396,960	394,960	312,116	82,844
Vehicle expense	197,750	202,750	193,720	9,030
Other expenses	199,325	199,575	219,663	(20,088)
Depreciation expense	509,306	659,853	520,077	139,776
Total expenses	20,750,741	21,162,379	21,145,678	16,701
Excess revenues over (under) expenses	-	-	354,406	354,406
Total Net Assets - beginning	-	-	10,843,859	-
Total Net Assets - ending	-	-	11,198,265	-

See auditors' report.

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WASATCH MENTAL HEALTH SERVICES SEPCIAL SERVICE DISTRICT

A COMPONENT UNIT OF UTAH COUNTY

Supplementary Schedule of Functional Expenses**June 30, 2008**

	Mental Health	Administrative	Total
Operating expenses:			
Salaries and benefits	\$ 15,003,743	\$ 1,635,192	\$ 16,638,935
Travel	41,323	13,067	54,390
Equipment and vehicle expense	361,564	30,212	391,776
Building expense	477,220	25,658	502,878
Treatment costs	1,959,695	100,934	2,060,629
Legal and professional			-
Program expense	916,436	60,558	976,994
Depreciation	460,924	59,152	520,076
Total Operating Expenses	\$ 19,220,905	\$ 1,924,773	\$ 21,145,678

See auditors' report.

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WASATCH MENTAL HEALTH SERVICES SPECIAL SERVICE DISTRICT
 A COMPONENT UNIT OF UTAH COUNTY
Schedule of Expenditures of Federal Awards
June 30, 2008

<u>Federal Grantor / Pass Through Grantor / Program Title</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures/ Disbursements</u>	<u>Major Program</u>
<u>U.S. Department of Health and Human Services:</u>				
<u>Passed through Utah State Department of Human Services:</u>				
Mental Health Services for the Homeless Block Grant		93.150	\$ 66,500	
Community Mental Health Services Block Grant	03-0036	93.958	391,354	X
Title XX Social Services Block Grant		93.667	5,024	
Total U.S. Department of Health and Human Services			<u>462,878</u>	
<u>Department of Education</u>				
<u>Passed through Department of Education</u>				
Alpine School District				
Title 1 Grants to Local Educational Agencies	4248	84.027	<u>117,427</u>	
Total Department of Education			<u>117,427</u>	
Total Federal Expenditures			<u>\$ 580,305</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards

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WASATCH MENTAL HEALTH SERVICES SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF UTAH COUNTY
Notes to Schedule of Expenditures of Federal Awards
June 30, 2008

Note – 1 Purpose of the Schedule

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is a supplementary schedule to Wasatch Mental Health Services Special Service District's financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities of Wasatch Mental Health Services Special Service District, it is not intended to and does not present either the financial position, changes in fund balances or the current funds revenue, expenditures and other changes of Wasatch Mental Health Services Special Service District.

Note – 2 Significant Accounting Policies

Basis of Presentation - The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Federal Awards - Pursuant to the Single Audit Act of 1984 (Public Law 98-402) and OMB Circular A-133, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, insurance, or direct appropriations. Federal awards, accordingly, non-monetary federal awards, including federal surplus property, is included in federal awards and, therefore, is reported on the Schedule. It does not include direct federal cash assistance to individuals. Solicited contracts between the State and Federal Government for which the Federal Government procures tangible foods or services are not considered to be federal awards.

Type A and Type B programs - The Single Audit Act Amendments of 1996 and OMB Circular A-133 establishes the levels of expenditures or expenses to be used in defining Type A and Type B federal awards programs. Type A programs, for Wasatch Mental Health Services Special Service District, are those programs which exceed \$300,000 in federal expenditures, distributions, or issuances for the fiscal year ended June 30, 2007.

Reporting Entity - The reporting entity is fully described in Note 1 of Wasatch Mental Health Services Special Service District's financial statements. The Schedule includes all federal financial awards received directly from federal agencies as well as federal financial awards passed through from other governmental agencies for the year ended June 30, 2007.

Basis of Accounting - The expenditures in the Schedule are recognized as incurred based on the accrual basis of accounting and the cost accounting principles contained in OMB Circular A-87, Cost Principles for State and Local Governments. Under those cost principles, certain types of expenditures are not allowable or are limited to the amount of reimbursement.

Matching Costs - The Schedule does not include matching expenditures.

Direct and Indirect Flow-Through Federal Assistance - The majority of the Wasatch Mental Health Services Special Service District's federal awards are received directly from the granting federal agency (i.e., Wasatch Mental Health Services Special Service District is the primary recipient). However, there is a portion of federal awards, as identified on the schedule, that are passed through a separate entity prior to receipt by Wasatch Mental Health Services Special Service District (i.e., Wasatch Mental Health Services Special Service District is a sub-recipient).

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WASATCH MENTAL HEALTH SERVICES SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF UTAH COUNTY
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2008

JUNE 30, 2007 FINDINGS AND QUESTIONED COSTS

2007-1

Condition and Criteria: The District's cost accounting system is not sufficiently structured to assign costs by revenue source. The District must manually create the cost reports that support grant revenues on an as needed basis. This system does not allow management to properly monitor progress against program awards in a real time environment.

Auditor's Recommendation: The accounting system should be modified to track revenues and expenses by program in a real time environment. Costs should be assigned to a program as incurred and not at year end.

Current Status: Resolved.

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REPORTS

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

**Board of Directors
Wasatch Mental Health Services Special Service District**

We have audited the financial statements of Wasatch Mental Health Services Special Service District (a non profit organization) as of and for the year ended June 30, 2008, and have issued our report thereon dated December 9, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Wasatch Mental Health Services Special Service District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wasatch Mental Health Services Special Service District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliable in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Others Matters

As part of obtaining reasonable assurance about whether Wasatch Mental Health Services Special Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

We noted certain matters that we reported to management of Wasatch Mental Health Services Special Service District, in a separate letter dated December 9, 2008.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Litz & Company, P.C.

December 9, 2008

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**Report on Compliance With Requirements Applicable to
Each Major Program and on Internal Control Over
Compliance in Accordance With OMB Circular A-133**

**Board of Directors
Wasatch Mental Health Services Special Service District**

Compliance

We have audited the compliance of Wasatch Mental Health Services Special Service District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Wasatch Mental Health Services Special Service District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Wasatch Mental Health Services Special Service District's management. Our responsibility is to express an opinion on Wasatch Mental Health Services Special Service District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wasatch Mental Health Services Special Service District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Wasatch Mental Health Services Special Service District's compliance with those requirements.

In our opinion, Wasatch Mental Health Services Special Service District' complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Wasatch Mental Health Services Special Service District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Wasatch Mental Health Services Special Service District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wasatch Mental Health Services Special Service District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

City & Company, P.C.

December 9, 2008

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WASATCH MENTAL HEALTH SERVICES SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF UTAH COUNTY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

- | | |
|---|--------------------|
| 1) Type of auditors' report issued on financial statements: | <u>Unqualified</u> |
| 2) Significant deficiencies in internal control were disclosed by the audit in accordance with <i>Governmental Auditing Standards</i> : | <u>No</u> |
| Significant deficiencies that are material weaknesses in accordance with <i>Governmental Auditing Standards</i> : | <u>No</u> |
| 3) Noncompliance which is material to the financial statements disclosed by the audit: | <u>No</u> |
| 4) Significant deficiencies in internal control over major programs disclosed by the audit: | <u>No</u> |
| Significant deficiencies in internal control that are a material weakness: | <u>No</u> |
| 5) Type of auditors' report issued on compliance for major programs: | <u>Unqualified</u> |
| 6) Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a): | <u>No</u> |
| 7) Major Programs: Federal Mental Health Block Grant | |
| 8) Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$300,000</u> |
| 9) Auditee qualified as a low-risk auditee: | <u>Yes</u> |

Findings and Questioned Costs:

None

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Independent Auditors' Report - State Legal Compliance

To the Board of Directors Wasatch Mental Health Services Special Service District

We have audited the general purpose financial statements of Wasatch Mental Health Services Special Service District for the year ended June 30, 2008, and have issued our report thereon dated December 9, 2008. As part of our audit, we have audited Wasatch Mental Health Services Special Service District's compliance with the requirements governing types of services allowed or un-allowed; eligibility; matching; level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2007. The Agency received the following major assistance programs from the State of Utah:

Utah State Department of Human Services:
Residential Services
Mental Health Contracts

Our audit also included test work on the Agency's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt	Budgetary Compliance	Special Districts
Cash Management	Other General Compliance Issues	Purchasing Requirements

The management of Wasatch Mental Health Services Special Service District is responsible for the Agency's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying Schedule of Findings, Questioned Costs, and Management's Response. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Wasatch Mental Health Services Special Service District complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or un-allowed; eligibility; matching; level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2008.

Litz & Company, P.C.

December 9, 2008

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WASATCH MENTAL HEALTH SERVICES SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF UTAH COUNTY
Schedule of State Findings and Questioned Costs
June 30, 2008

CASH MANAGEMENT

2008-1

Finding: Wasatch Mental Health Services Special Service District has not submitted its annual unclaimed property report to the State Treasurer as required.

Recommendation: The Center should ensure that the unclaimed property report is submitted timely each year.

Questioned Costs: -\$0-

Response: We concur with the recommendation. In the past, our practice has been to monitor outstanding checks and contact payees after a period of time if the checks had not cleared the bank. We experienced some personnel turnover in the last year that disrupted our routine. We have addressed this and we will again contact payees after an appropriate time has passed and issue replacement checks when an original check is lost. If our efforts to locate the payee are unsuccessful, we will include any amounts outstanding on the annual unclaimed property report when it is filed.

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